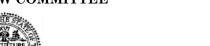
## TENNESSEE GENERAL ASSEMBLY FISCAL REVIEW COMMITTEE



**FISCAL NOTE** 

HB 957 - SB 1236

March 8, 2017

**SUMMARY OF BILL:** Redefines a "qualifying job" under the Community Resurgence Job Tax Credit Act of 2015 for the purposes of franchise and excise (F&E) tax credits to mean a full-time job with wages at least 65 percent of the average occupational wage for the labor workforce development area in which the job is created, rather than a full-time job with wages equal to or greater than the state's average occupational wage.

## **ESTIMATED FISCAL IMPACT:**

Decrease State Revenue – Exceeds \$50,000/FY17-18
Exceeds \$100,000/FY18-19 and Subsequent Years

Forgone State Revenue – Exceeds \$50,000/FY17-18
Exceeds \$100,000/FY18-19 and Subsequent Years

## Assumptions:

- The Community Resurgence Job Tax Credit Act of 2015 authorized a job tax credit against F&E tax liability for a qualified business in the amount of \$2,500 for each qualifying job created in a high-poverty area, provided that at least 10 such jobs are created.
- Revising the wage requirement for a qualifying job under the Act, as proposed by this bill, is estimated to increase the number of jobs for which the F&E tax credit will be claimed.
- The number of existing companies that will qualify for such tax credits that are currently in the process of, or planning on, creating at least 10 qualified jobs in high-poverty areas, but would not qualify for the tax credits under current law, is unknown. Any impact to state revenue from granting F&E job tax credits to such companies will be considered a decrease in revenue.
- The number of new companies that will locate in a high-poverty area and qualify for the tax credits by creating at least 10 qualified jobs as a direct result of this bill, which would not be created under current law, is unknown. Any impact to state revenue from granting F&E job tax credits to such companies will be considered forgone revenue.
- Based on information provided by the Department of Revenue, it is estimated that at least 40 new qualifying jobs would be created under current law, and at least 40 new

- qualifying jobs will be created as a direct result of this bill that would not be created in the absence of the proposed legislation.
- As a result, both the recurring decrease in state revenue and the recurring forgone state revenue are each estimated to exceed \$100,000 (\$2,500 x 40).
- Due to the effective date of July 1, 2017, the first-year impact for FY17-18 is estimated to be 50 percent of the first full-year impact.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee, Executive Director

Krista M. Lee

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